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Message Text

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PAGE 01 BANGKO 21386 231046Z
ACTION COME-00

INFO OCT-01 EA-10 ISO-00 EB-08 TRSE-00 GSA-02 CIAE-00
INR-07 NSAE-00 ITC-01 L-03 AID-05 INT-05 OMB-01
SP-02 XMB-02 CEA-01 STR-05 /053 W
----------104106 241553Z /45
R 230920Z SEP 77
FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 6569
INFO AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY SINGAPORE

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E.O. 11652: N/A
TAGS: EMIN, TH
SUBJ: INCREASE IN THAI TIN ROYALTY RATE

REF: STATE 215422

1. EMBOFFS HAVE RAISED TIN ROYALTY INCREASE ISSUE, AND PRESENTED AIDE MEMOIRE, AT POLICY AND WORKING LEVELS IN MINISTRIES OF FOREIGN AFFAIRS, COMMERCE, FINANCE, AND INDUSTRY. RTG OFFICIALS WITHOUT EXCEPTION DEFENDED RTG RIGHT TO SHARE IN "WINDFALL" PROFITS BEING REAPED BY INDUSTRY AS RESULT HIGH PRICE OF TIN IN LAST 12 MONTHS. THEY SAID CHANGE IN ROYALTY LAW WAS IN TRAIN LONG BEFORE RECENT INTERNATIONAL TIN COUNCIL MEETING TOOK UP SUBJECT. MINISTRY OF INDUSTRY OFFICIALS, WHO SPONSORED NEW LAW, ACKNOWLEDGED INDUSTRY IS UNHAPPY ABOUT INCREASE BUT GAVE NO INDICATION RTG IS LIKELY TO REEXAMINE QUESTION IN NEAR FUTURE. THEY STRESSED THAT UNDER NEW LAW MINISTER OF INDUSTRY HAS AUTHORITY, LACKING PREVIOUSLY, TO ADJUST ROYALTY RATE TO MARKET CONDITIONS AND STATED THAT DESPITE DIRE PREDICTIONS IN INDUSTRY, NOT ONE TIN MINE HAS CEASED OPERATIONS AS RESULT INCREASE IN ROYALTY. IN FACT, TECHNICAL LEVEL OFFICIALS
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PAGE 02 BANGKO 21386 231046Z

PREDICTED OUTPUT OF TIN METAL IN 1977 WILL BE ABOUT 2,000 M/T HIGHER THAN THE 20,337 M/T PRODUCED IN 1976.

2. MINISTRY OF INDUSTRY OFFICIALS, WHO ARE, OF COURSE, THE ONES MOST CLOSELY INVOLVED WITH THE TIN INDUSTRY, ADMITTED THAT SMUGGLING OF TIN ORES, PRIMARILY TO SINGAPORE, REMAINS A SERIOUS PROBLEM AND SAID RTG RECENTLY CONSULTED, INCONCLUSIVELY,

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WITH GOVERNMENT OF SINGAPORE ABOUT WAYS TO HALT THIS CONTRABAND TRADE. THEY SAID SINGAPORE IMPORTS FROM THAILAND IN PERIOD JANUARY-AUGUST EXCEEDED TOTAL FOR 1976. THEY CONCEDED RELUCTANTLY THAT INCREASE IN ROYALTY RATE MIGHT SERVE AS INCENTIVE TO SMUGGLERS TO STEP UP OPERATIONS, BUT FELT THAT REVENUE ADVANTAGES OF ROYALTY INCREASE TO RTG OUTWEIGH POSSIBLE ADDITIONAL REVENUE LOSSES THROUGH SMUGGLING. IN RESPONSE TO SUGGESTION THAT RTG SEEK REVENUES FROM MINING INDUSTRY THROUGH TAX ON PROFITABILITY OF COMPANIES INSTEAD OF DIRECT TAX ON PRODUCTION OF ORE, THAI OFFICIALS REPLIED THAT MOST MINING FIRMS ARE FAMILY-OWNED, RATHER THAN PUBLIC, AND THAT AWESOME BOOKKEEPING SKILLS OF FAMILY CONCERNS WOULD DEFEAT BEST EFFORTS OF RTG REVENUE OFFICIALS TO BASE TAXES ON PROFITS.

3. IN SUM, WE BELIEVE RTG INTENDS TO STICK WITH NEW ROYALTY SCHEDULE UNTIL SUCH TIME AS (1) PRODUCTION BEGINS TO DROP, OR (2) SMUGGLING INCREASES MARKEDLY WITH RESULT THAT RTG REVENUES DECLINE DESPITE INCREASE IN PRODUCTION. MINISTER OF INDUSTRY HAS STATED PUBLICLY THAT HE MIGHT REDUCE ROYALTY IF INDUSTRY CAN MAKE CASE THAT HIGHER RATE IS HURTING MINING FIRMS AND/OR PRODUCTION. THAI MINING ASSOCIATION OFFICIALS ADMIT THEY HAVE NOT YET COMPILED SUCH A BRIEF. EMBOFF ASKED DEPUTY U DER SECRETARY OF UNDUSTRY FOR WRITTEN STATEMENT OF RTG'S VIEWS BUT INFERRED FROM AIRY RESPONSE THAT MINISTER'S REPLY, IF ANY, WILL BE ORAL.
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Sent Date: 23-Sep-1977 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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EO Systematic Review
22 May 2009
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